

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : May 15, 2017

TO : Theodore A. Lipscomb, Sr. Board Chairman, Milwaukee County Board of Supervisors

FROM : Steven Kreklow, Director, Office of Performance, Strategy and Budget, Department of Administrative Services

SUBJECT : Requested Information Related to the impact of the proposed State of Wisconsin 2017-2019 Biennial Budget on Milwaukee County

Summary

The following is a report to address the County Board of Supervisors' information request on the 2017 and 2018 impacts of potential State of Wisconsin budget actions related to Milwaukee County's vehicle registration fee, increased daily rates for juvenile correctional institutions, the VW Settlement and local levy limit changes related to Pre-2005 Debt Service. Each of these topics is highlighted in a separate section of this report. This report is a "snapshot in time" and only utilizes the information currently available to the Office of Performance, Strategy and Budget as of May 11, 2017. Actual draft legislation for some of the proposals is not yet available as of the date of this memo. Until the State of Wisconsin 2017-2019 biennial budget is adopted, information related to these highlighted topics will continue to change.

Milwaukee County's Vehicle Registration Fee

The State's proposed legislation eliminates the ability of a local government to enact a local Vehicle Registration Fee without a binding referendum. The proposal states that any county that first imposed the VRF in 2017 that was in effect prior to April 1, 2017 would need a binding referendum in order to retain their VRF. Since Milwaukee County's VRF was first adopted in 2017, and in effect before April 1, 2017, this means the \$30 VRF is eliminated by this proposal and could only be reinstated through a binding referendum.

The 2017 Budget includes \$11.5 million in VRF revenue to support Transit operations and \$2.0 million for the Bus Rapid Transit capital project. The Office of Performance, Strategy and Budget estimated 2017 VRF revenue from July 1st through the end of the end of the year is \$7 million. Though we only have actual numbers on one month of collections of this revenue, we anticipate the actual amount will be close to this estimate. Additionally, we estimate that the \$30 VRF would generate \$16-\$17 million in 2018 to support transportation related purposes.

Increased Daily Rates for Juvenile Correctional Institutions

The Governor's Proposed 2017-2019 Executive Budget recommends an increase in the current Juvenile Correctional Institution Daily Rates. The current daily rate in effect until June 30, 2017 is \$292.00.

The Governor's Proposed 2017-2019 Executive Budget includes the following:

- From July 1, 2017 through June 30, 2018 the proposed daily rate is \$344.00.
- From July 1st 2018 through June 30, 2019 the proposed daily rate is \$352.00.

The proposed rate increase for the period from July 1, 2017 through June 30, 2018, is \$52.00 per day per juvenile over the current rates. The proposed increase for the period from July 1, 2018- June 30, 2017 is an additional \$8 per juvenile per day over the July 1 2017-June 30, 2017 proposed rates. Additional information about the juvenile corrections daily rates can be found in the State of Wisconsin Legislative Fiscal Bureau January 2017 Informational Paper 551.

At the March 2017 cycle Milwaukee County (County) Intergovernmental Relations Committee (IGR), the Department of Health and Human Services provided an analysis of the estimated impact of this change. A summary table from this report outlines the estimated additional expenditures for the Department of Health and Human Services, Delinquency and Court Services Division (DCSD).

Estimated Additional Expenditures in DCSD Budget ²

Time Period	July 2017-Dec 2017	Jan 2018- June 2018	July 2018- Dec 2018	2018 Total
Expenditure Increase	\$631,170	\$631,170	\$728,273	\$1,359,443

Based on the Department of Health and Human Services estimates, which assumes an ADP of 67, the result of the proposed increase to juvenile corrections daily rates would cause an increase in 2017 expenditures of \$0.6 million and 2018 expenditures of \$1.4 million.

VW Settlement Impacts on State Shared Revenue

In the proposed Governor’s Recommended Budget, the State of Wisconsin would provide the \$26 million to the County over a two-year period beginning in 2018. Of the total amount, \$6.5 million will be provided to the County as a grant, and \$19.5 million will be repaid by the County through reductions to State Shared Revenue. Functionally, the \$19.5 million acts as a zero percent loan. The funds will be used to supplant County bond issuance for the bus replacement program over that time period. At the same time, the State will reduce its State Shared Revenue amount to the County by \$1.95 million per year for 10 years from 2018-2027 in order to recover the cost of the \$19.5 million zero-interest loan. Under the current proposal State Shared Revenue to the County will return to the pre-established level after 2027.

1 State of Wisconsin, Legislative Fiscal Bureau, Informational Paper 55, p 29

2 IGR agenda item #4, County Board File 17-250.

Year	2018 Debt Service Payment Savings	2019 Debt Service Payment Savings	Reduction in Milwaukee County State Shared Revenue	Property Tax Levy (Increase)/Reduction	Net Present Value to Milwaukee County
2018	\$0	\$0	(\$1,950,000)	(\$1,950,000)	(\$1,962,516)
2019	\$2,031,967	\$0	(\$1,950,000)	\$81,967	\$30,780
2020	\$1,913,416	\$480,420	(\$1,950,000)	\$443,836	\$372,105
2021	\$1,879,432	\$452,336	(\$1,950,000)	\$381,768	\$307,587
2022	\$1,845,448	\$444,312	(\$1,950,000)	\$339,760	\$263,605
2023	\$1,811,464	\$436,288	(\$1,950,000)	\$297,752	\$221,165
2024	\$1,767,480	\$428,264	(\$1,950,000)	\$245,744	\$171,463
2025	\$1,733,732	\$420,240	(\$1,950,000)	\$203,972	\$132,345
2026	\$1,699,984	\$412,216	(\$1,950,000)	\$162,200	\$94,633
2027	\$1,666,236	\$404,192	(\$1,950,000)	\$120,428	\$58,288
2028	\$1,632,488	\$396,168	\$0	\$2,028,656	\$1,647,493
2029	\$1,598,740	\$388,144	\$0	\$1,986,884	\$1,583,328
2030	\$1,564,992	\$380,120	\$0	\$1,945,112	\$1,520,989
2031	\$1,531,244	\$372,096	\$0	\$1,903,340	\$1,460,431
2032	\$1,497,496	\$364,072	\$0	\$1,861,568	\$1,401,609
2033	\$1,463,748	\$356,048	\$0	\$1,819,796	\$1,344,479
2034	\$0	\$348,024	\$0	\$348,024	\$252,304
TOTAL	\$25,637,867	\$6,082,940	(\$19,500,000)	\$12,220,807	\$8,900,087

Assumptions:

- 1.) State provides cash amounts of \$21M in 2018 and \$5M in 2019; State cash to supplant Bonding.
- 2.) State Shared Revenue reduction of \$1.95m/annually over 10 years.
- 3.) 2018/2019 Bonding Caps reflect a 1:1 reduction from State VW Settlement Cash.

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Local Levy Limit Changes related to Pre-2005 Debt Service

The Governor’s Proposed 2017-2019 Executive Budget mandates the County to reduce its levy to reflect reductions of Pre-2005 Debt Service.

At the March, 2017 Milwaukee County (County) Intergovernmental Relations Committee (IGR), the Comptroller’s Office provided an analysis of this issue.⁴ A summary excerpt (and table) from the Comptroller report outlines the estimated impact to the County and is shown below:

“The estimated impact of the change can be seen in the table below. Current law would allow for an estimated \$9.6 million in additional overall levy, while the Governor’s Budget would allow for an estimated \$2.7 million in additional overall levy. The additional levy available for operating purposes under current law is estimated to be \$8.9 million, while the additional levy available for operating purposes under the Governor’s Budget is estimated to be \$2.0 million.”

Estimated Impact to County’s Levy Limit from Governor’s Budget⁵

3 March 2017 Transportation, Public Works and Transit Committee agenda item #14, County Board File 17-190.
4 IGR agenda item #5, County Board File 17-284. The Comptroller’s report was also provided to the offices of the County Board Chairman and the County Executive.
5 “The amounts for the County’s Post 2005 Debt Service and levy limit change from “Growth” are estimates and the final numbers will be different. The table doesn’t include impacts from items such as Countywide EMS and the Federated Library System which the County may use some of its remaining exclusions. The table also doesn’t included an adjustment for prior year’s levy of approximately \$640,000 that may available under Wisconsin Statute 66.0602 (3) (fm).”

Levy Limit Factor	2018 County Budget (Based on Current State Law)	2018 County Budget (Based Governor's Budget)
Change in Pre-2005 DS	\$0	(\$6,914,545)
Estimated Change in Post-2005 DS	\$7,600,000	\$7,600,000
Estimated Growth Impact (Net New Construction/Terminated TIDs)	\$2,000,000	\$2,000,000
Total Estimated YOY Change to County Levy Limit	\$9,600,000	\$2,685,455

The estimated impact of the Governor's proposed budget item results in a levy reduction of approximately \$6.9 million in 2018.

For your convenience the supporting documentation referenced in this report is included as an attachment to this report. Listed below is a summary of the attached supporting documentation.

- Wisconsin State Assembly GOP, The Road to a Flat Tax, May 2017
- State of Wisconsin Legislative Fiscal Bureau, May 4th, 2017 Memorandum
- State of Wisconsin Legislative Fiscal Bureau, January 2017 Informational Paper 55
- March 2017 Milwaukee County (County) Intergovernmental Relations Committee (IGR) Department of Health and Human Services, March 9, 2017 Report
- March 2017 Milwaukee County Transportation, Public Works and Transit Committee, Department of Administrative Services, February 9th, 2017 Report
- March 2017 Milwaukee County Board, Office of the Comptroller, March 21st, 2017 Report
- March 2017 Milwaukee County (County) Intergovernmental Relations Committee (IGR) Office of the Comptroller, February 15, 2017 Report



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